
Topic 6S



NEW MEXICO OIL AND GAS ASSOCIATION

NMED Ozone Rulemaking Hearing

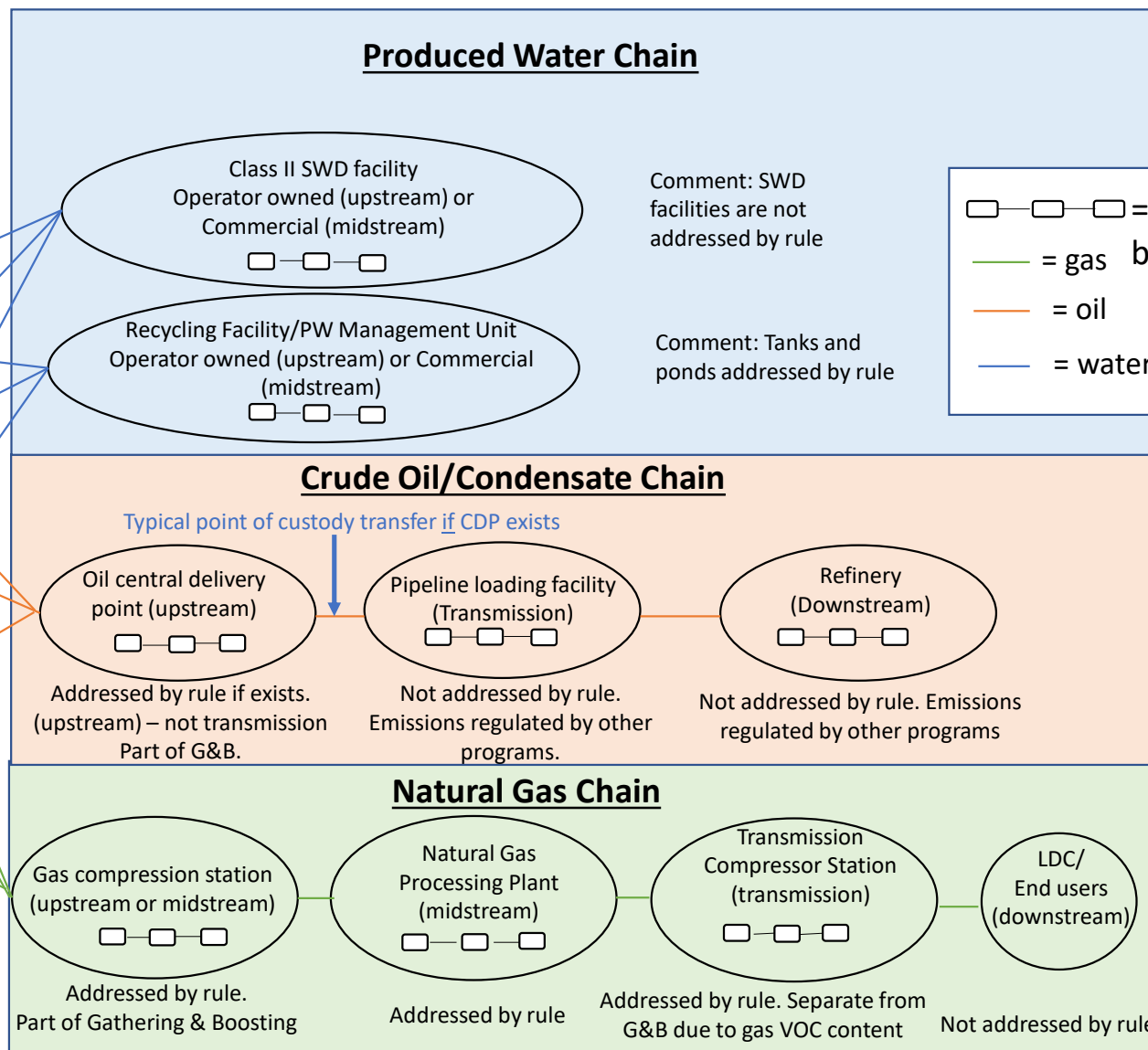
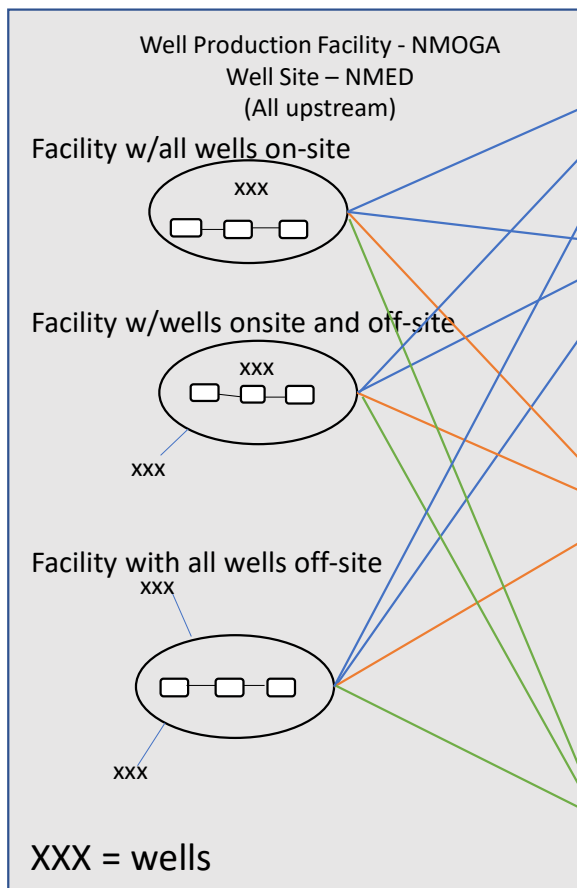
*Surrebuttal Testimony of John R. Smitherman
Senior Advisor*

20.2.50.125 Small Business Facility

- Dr McCabe testifies that large companies “...could afford to comply with...requirements as proposed by NMED.”
- This testimony misses the point of how financial decisions are made in the industry (any industry).
 - Business decisions are made based on the specifics of each project.
 - If spending money on compliance on a well or facility will not pay out from that well or facility in a reasonable time, the money will not be spent. It does not matter that the company makes money from other assets that could cover these costs.
 - Using profits from other assets to prop up an uneconomic well would be an imprudent business decision and would not be in the best interest of the shareholders.

Topic 22S

Typical upstream, midstream, transmission, and downstream facilities



Definitions

Well Production Facility

After digesting input from all parties during this process, NMOGA recognizes that NMED's proposed term "Well Site" is the appropriate term but we offer the following recommended changes (red – NMED, blue – NMOGA):

UUTF. "Well~~head~~ site" means the equipment UNDER THE OPERATOR'S CONTROL directly associated with one or more oil wells or natural gas wells upstream of the natural gas processing plant OR GATHERING AND BOOSTING STATION, IF ANY. A well~~head~~ site may include equipment used for extraction, collection, routing, storage, separation, treating, dehydration, artificial lift, combustion, compression, pumping, metering, monitoring, and product piping.

The first change recognizes that some equipment on a Well Site may be owned/operated by a third party (i.e. a sales meter).

The second clarifies where such equipment "directly associated with...wells..." ends.

Definitions

Other definitions

Stabilized NMOGA recommends adding the definition of “Stabilized” when referring to crude oil.

- Stabilized oil at CDPs may be stored in floating roof tanks (internal or external).
- NMOGA had intended an alternative control strategy as such tanks do not lend themselves to the requirements of this Part.
- NMOGA recommends that floating roof tanks be governed by NSPS subpart Kb.

Definitions

Facilities

Gas Compressors

- In my rebuttal testimony I stated that gas compressors at Well Sites were not included in this part.
- That was an overstatement. All gas compressors are covered by this Part if they meet applicability standards. They are either at:
 - Well Sites,
 - Gathering and Boosting Stations, or
 - Transmission Compressor Stations

Topic 23S

20.2.50.112 General Provisions & “Construction”

EMT

- In place of the more complex system, NMED is now asking for certain field activities to be “stamped” electronically with Date/Time/GPS data indicating that the activity reported in the operator’s information system (and ultimately reported on the CDR) actually occurred.
- NMED now says that they will finalize a list of approved technologies that operators can use to comply with this requirement by January 1, 2023 but will require operators to utilize their choice from that list by April 1, 2023.
- **That is not enough time.**
- This will still require acquisition of devices, integration of the data from those devices into company database(s), contract modification, employee training (field and office), deployment (including test-fail-repair cycles) before they can be deployed.
- NMOGA recommends a two-year transition period before this is required.

20.2.50.112 General Provisions & “Construction”

Pre-transaction certification

- NMOGA appreciates NMED deleting the requirement of a pre-transaction compliance certification. This requirement did not align with the business realities in the state and would have complicated and, perhaps, stymied development by making transactions more difficult or even impossible.
- Many transactions are kept in strict confidence prior to a point of commitment to prevent negative consequences of early disclosure (employee morale, SEC requirements, market interventions, etc.). Premature disclosure can cause transactions to be abandoned.

20.2.50.112 General Provisions & “Construction”

Appropriate hearing access

- NMOGA appreciates NMED’s new language ensuring the ability to request a hearing prior to engaging a 3rd party auditor. The requirement to hire an outside auditor (at the operator’s expense) should be based upon good cause and operator should have the right to a hearing to ensure that such good cause exists before hiring such third-party auditor.
- Further, third party auditors do not always give good results or recommendations. An operator should have the right to challenge such third-party reports and recommendations at a hearing. NMOGA supports language that ensures these rights.

20.2.50.112 General Provisions & “Construction”

Annual certification & Excessive deviation reporting

NMED already has more than sufficient tools in its toolbox to ensure compliance:

- Major sources are subject to Title V compliance certifications, recordkeeping and reporting.
- Significant sources are subject to permit recordkeeping and reporting.
- All sources are subject to excess emissions reporting under 20.2.7.110 NMAC
- Under Part 50, department can request:
 - CDRs for any source at any time.
 - Third party review for significant issues

Expanding a “compliance certification” for the tens of thousands of Part 50 sources is unsustainable and would pull compliance resources from keeping facilities in compliance to doing paperwork.

Definitions

Construction

Original NMED language deemed “relocation” of a stationary source to be considered “construction”.

If moving a compressor puts it under “new” compressor emissions limits, operators will be reluctant to move compressors to optimize operations. Over time, gas throughput rates change. If operators are faced with an extraordinarily high cost of replacement with a new machine that can meet the new engine standards, they may choose to leave the existing unit in place. This will lead to non-ideally sized compressors which are inefficient from an emissions perspective.

Further, operators will not perform major maintenance in a shop setting through an in-kind swap. This will lead to more downtime and a less effective in-field major maintenance. Including relocation in Construction disincentivizes some good operating practices.

Definitions

- NMED has included the phrase “...but no later than the end of well completion operation.” in their definition of “Commencement of Operation”.
- Mr. Alexander of EDF has suggested the definition of “Flowback” be added and then suggests that vessels used for flowback be vapor tight and outfitted with automatic tank gauging systems.
- In order to respond to these, it is first important to understand the well construction process.

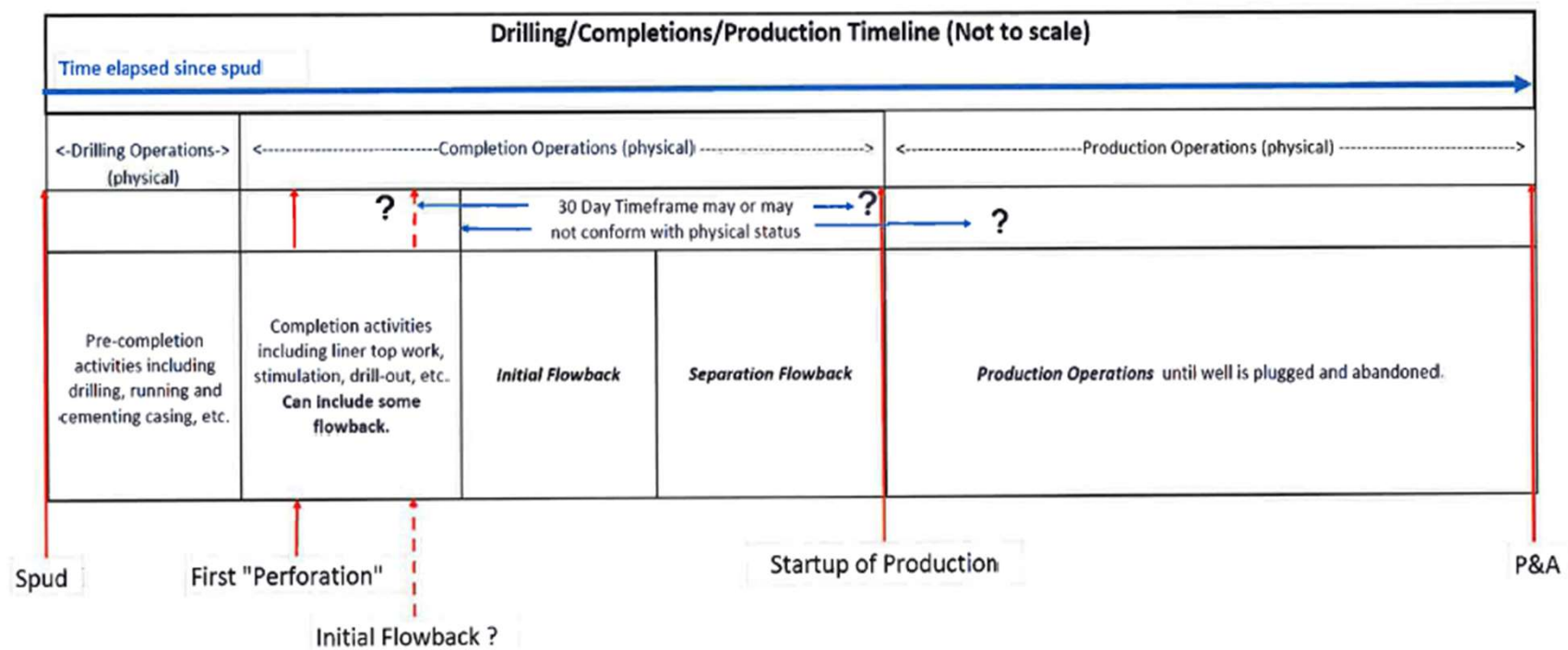
Definitions

Well construction/production phases

NMOGA has tried to define the phases of wellbore construction from the spud of the well to its final plug and abandonment so as to avoid gaps, ambiguities, and overlaps to provide clarity for all parties.

The following is a demonstrative exhibit used at the recent OCC hearing on the Waste Rule.

NMOGA OCC Exhibit



Ref: 19.15.27.7 and various points in the rule

Definitions

Well construction/production phases (See NMOGA exhibit from OCD hearing)

Drilling operations (ends with casing set) – From *OCD* (*NMOGA omits but recognizes*). *NMED omits*.

Definitions

Well construction/production phases (cont)

Completion operations (starts at first “perforation” and ends at end of separation flowback – limit of 30 days of flowback). From OCD (NMOGA omits but recognizes). NMED omits. Typically includes: Casing liner work, “perforating”, hydraulic fracturing (multiple stages), stage plug setting, stage plug drill-out, initial flowback, and separation flowback.

Flowback (consistent with OCD Waste Rule and similar to OOOOa)

Initial flowback (OCD: ends when it is technically feasible to operate a separator. Per OCD V&F allowed due to *limited amounts of natural gas*.) OCD (NMOGA omits but recognizes. NMED omits.)

Separation flowback (OCD: ends when permanent well production facilities are used / no later than 30 days after start of initial flowback. Per OCD, flaring allowed only if necessary for safety reasons or gas quality. No venting of pipeline quality natural gas allowed due to increased natural gas volumes). OCD (NMOGA omits but recognizes. NMED omits.)

Definitions

Well construction/production phases (cont)

Production Operations per OCD begins at end of separation flowback (but no later than 31 days after initial flowback). Ends when well is P&A'd.

Related to “**Commencement of Operations**”

Definitions

NMED

Commencement of Operations NMED definition is aligned with OCD at start (...the date any permanent production equipment is in use and product is flowing to a sales line, gathering line, or storage vessel from the first well at a stationary source...) but creates confusion when defining the end point (...but no later than the end of well completion operation.) This is confusing because “well completion operation” is not defined. Further, by including the phrase “...but no later than the end of well completion operation.”, certain monitoring and inspection requirements are triggered prior to actual production operations if a first well is completed, flowed back, and then shut in before routine production begins while awaiting final installation of well production facilities and gas gathering lines to comply with OCD Waste Rule. NMOGA recommends modifying the NMED definition as suggested by NMOGA as it will avoid confusion and require that monitoring and inspections begin when production actually begins, as is appropriate.

Definitions

EDF recommendations in their new section 20.2.50.127 will be addressed at a later time.

Definitions

Other definitions

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